

The budget is used as a management tool throughout the year, but it gets particular attention each July to November when the budget is set for the next year. There are lots of influences throughout the process with department heads, committee members, City Council, and general public all having input in the discussion. And I have a front row seat.

When talking about the budget, the emphasis tends to be on the city's general fund – its basic operations including police, streets, parks, City Council, and office and professional support. Other city services are handled through separate funds including cemetery, ambulance, debt service, capital projects, and the water, wastewater, stormwater, and electric utilities.

In July, I presented a \$132,000 gap in the general fund to be solved in setting the 2010 budget. This represented just under 5% of the general fund budget. It was a structural issue, meaning any temporary solutions would be just that (temporary) to help get through one year with the gap reappearing the following year.

The gap was partly due to \$51,000 less revenues expected in 2010. Shared revenues from the state were expected to be \$26,000 less than 2009 as part of the state's efforts to balance its budget. Interest earnings were expected to be \$145,000 less than in 2008; with 2009 seeing a similar loss in its revenues, a draw down of reserve funds would be necessary. We also expected an increase of \$80,000 in the budgeted amount of payment in lieu of taxes from the Water & Light Utility. And the property tax levy was expected to be able to increase up to \$40,000 without increasing the tax rate due to construction and increased property values.

The \$132,000 gap also had an \$81,000 increase in expected expenses. This included a \$37,000 increase in debt service payments, largely due to the Lake Leota dredging project. It also included contractually obligated increases of \$20,000 in wages and an estimated \$24,000 in health insurance premiums; our collective bargaining agreements were negotiated 2007 when the economy was better and cover the years 2008 through 2010.

The projected gap in the general fund, the economic recession, an anticipated increase in wastewater user rates due to construction of the new facility, and a desire to hold the line on property taxes were the framework that the City Council and staff took when starting the budget process.

A couple other general themes arose early in budget deliberations. Everything was on the table for consideration. The public was encouraged to submit budget suggestions; all suggestions were shared with the City Council and department heads. The final budget would likely include both permanent and temporary measures, but structural or permanent solutions were better than temporary fixes.

In the ensuing months, department heads met with their respective committees to develop their budget proposals. These were then presented to the full City Council in September. And the gap had been reduced to \$33,000 with the budget requests.

This was done through the payment schedule for the Lake Leota bonds, reduction in levy-supported capital expenditures, re-allocation of staff expenses from the general fund to the stormwater utility, reduction in planning and engineering expenses which remained high since work on the Smart Growth Plan several years ago, reduced financial support of the youth center and seniors programs, and various lesser expenditure cuts. During the presentation, the City Council commented on some budget items that would likely be revised further.

In early October, the Finance Committee, Mayor Sandy Decker, and I discussed the draft budget and recommended additional revisions to balance it. Some were technical, as figures for state aid for general transportation and the calculation of the city's contribution to the Fire District had been learned since the September proposal. Other changes such as increasing the sales price of additional garbage tags and requiring the baseball and softball programs to be entirely self-supporting had come from the City Council's earlier comments.

Among the final recommendations to come from the meeting were to freeze wages of salaried employees, to purchase one police car (with additional funds for maintenance) rather than the two requested, to reduce public works equipment replacement, to reduce moneys for part-time police department wages, and to budget the completion of the Lake Leota dredging project.

The gap had been closed. Some of these actions were long-term, structural solutions; while, others would be only one-time fixes to help the immediate budget. The recommended property tax levy would be \$2000 more than the current year. But with increased tax base, the city's portion of the tax rate would actual decrease about 1 percent.

But setting the budget is not done. At 6:30 pm on Tuesday, November 10, the City Council will hold a public hearing on the budget at City Hall, 31 South Madison Street. Depending on comments at the hearing and any other revisions, the Council may adopt the budget and associated property tax levy that evening.